## House Study Bill 530 - Introduced

HOU	SE FILE
вч	(PROPOSED COMMITTEE
	ON COMMERCE BILL BY
	CHAIRPERSON COWNIE)

## A BILL FOR

- 1 An Act relating to the acquisition of water, sanitary sewer, or
- 2 storm water facilities between public utilities.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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- 1 Section 1. <u>NEW SECTION</u>. 476.59 Water, sanitary sewer, and 2 storm water facilities acquisitions ratemaking principles.
- 3 1. For purposes of this section:
- 4 a. "Public utility" means the same as defined in section 5 476.1.
- 6 b. "Ratemaking principles" means the methods or principles
  7 used to establish the rate base.
- 8 c. "Water, sanitary sewer, or storm water facility" means
- 9 a facility used by a public utility to furnish water by piped
- 10 distribution, or furnish sanitary sewer or storm water drainage
- 11 disposal by piped collection, to the public for compensation.
- 12 2. a. A public utility shall not acquire, in whole or
- 13 in part, a water, sanitary sewer, or storm water facility
- 14 from another public utility unless the board approves the
- 15 acquisition. Prior to the acquisition, the applicant shall
- 16 file with the board a proposal for acquisition with supporting
- 17 testimony and evidence to establish all of the following:
- 18 (1) The acquisition is the result of a mutual agreement
- 19 between the public utilities subject to the acquisition.
- 20 (2) The public utilities subject to the acquisition are not
- 21 affiliated and share no ownership interests.
- 22 (3) The acquired water, sanitary sewer, or storm water
- 23 facility will be used to furnish water, sanitary sewer, or
- 24 storm water drainage disposal.
- 25 (4) The costs incurred by the applicant, including but not
- 26 limited to closing costs and other expenses incident to the
- 27 acquisition, will be reasonable and included in the rate base.
- 28 b. The board shall review a proposal for acquisition in the
- 29 same manner and by the same procedure as that for a proposal
- 30 for reorganization pursuant to section 476.77.
- 31 3. a. Upon the approval of a proposal for acquisition,
- 32 the board shall specify in advance, by order issued after a
- 33 contested case proceeding, the ratemaking principles that will
- 34 apply when the costs of the water, sanitary sewer, or storm
- 35 water facility are included in rates.

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- b. In determining the applicable ratemaking principles, the board shall ensure that the rate base is equal to either the fair market value of the acquired assets, as determined by an appraisal conducted in compliance with the uniform standards of professional appraisal practice by an appraiser approved by the board, or a rate base otherwise approved by the board.
- 7 c. The order setting forth the applicable ratemaking 8 principles shall be issued prior to the acquisition of the 9 water, sanitary sewer, or storm water facility.
- 10 d. Notwithstanding any provision of this chapter to 11 the contrary, the ratemaking principles established by the 12 order issued pursuant to paragraph "c" shall be binding with 13 regard to the specific public utility in any subsequent rate 14 proceeding.

15 EXPLANATION

- The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.
- This bill provides criteria for the Iowa utilities board to 19 approve acquisitions of water, sanitary sewer, and storm water 20 facilities and establish advanced ratemaking principles.
- The bill prohibits a public utility, defined in the bill
- 22 to mean the same as defined in Code section 476.1, from
- 23 acquiring a water, sanitary sewer, or storm water facility 24 unless the board approves the acquisition. The bill defines
- 25 "water, sanitary sewer, or storm water facility" to mean a
- 26 facility used by a public utility to furnish water by piped
- 27 distribution, or furnish sanitary sewer or storm water drainage
- 28 disposal by piped collection, to the public for compensation.
- 29 The bill requires a public utility to file with the board a
- 30 proposal for acquisition with supporting evidence to establish
- 31 that the acquisition is a result of a mutual agreement, the
- 32 public utilities subject to the acquisition are not affiliated,
- 33 the acquired facility will be used to furnish water, sanitary
- 34 sewer, or storm water drainage disposal, and the costs and
- 35 expenses incident to the acquisition will be reasonable and

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- 1 included in the rate base. The bill requires the board to
- 2 review a proposal for acquisition pursuant to the same manner
- 3 and procedure as a proposal for reorganization under Code
- 4 section 476.77.
- 5 The bill requires the board, upon the approval of a proposal
- 6 for acquisition, to specify advanced ratemaking principles
- 7 by order issued after a contested case proceeding, when the
- 8 costs of the water, sanitary sewer, or storm water facility are
- 9 included in rates. The bill defines "ratemaking principles"
- 10 to mean the methods or principles used to establish the rate
- ll base. In determining the applicable ratemaking principles, the
- 12 board shall ensure that the rate base is equal to either the
- 13 fair market value of the acquired assets, as determined by an
- 14 appraisal, or a rate base otherwise approved by the board. The
- 15 order setting forth the applicable ratemaking principles shall
- 16 be issued prior to any acquisition. The ratemaking principles
- 17 shall be binding with regard to the specific public utility in
- 18 subsequent rate proceedings.